



CALIFORNIA Economic Indicators

May–June 2005

Record Employment

Job losses from 2001 recession are recovered.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

At the midpoint of 2005, California was enjoying a well-balanced economic expansion. Sustained job and wage growth coupled with robust business profits were supporting a healthy real estate market as well as expanding home and business construction activity.

California also passed a notable milestone in May. Total industry employment surpassed the previous peak employment level reached just before the 2001 recession. With nonfarm employment reaching a new high of 14,737,000 in May, the state had recaptured all of the jobs lost during the last economic downturn. Just as with the nation, job losses continued long after the official end of the recession in November 2001. Because the 2001 recession was focused on high technology industries that are California specialties, the state took a few months longer to recover than the nation as a whole. The nation recaptured its pre-recession peak employment in January 2005.

Employment

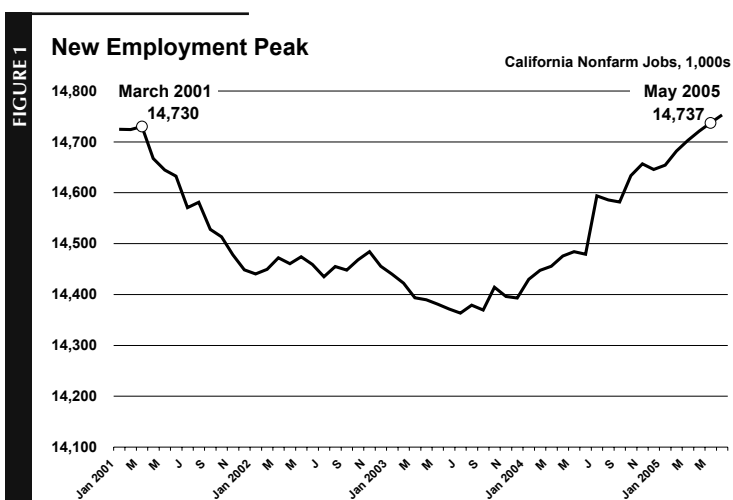
California added 15,600 industry jobs in June, essentially garnering its share of the nation's 146,000 job gain. From June 2004 to June 2005, nonfarm payroll employment increased by 273,500, or 1.9 percent, exceeding the 1.6 percent gain for the nation as a whole.

The gains were widespread in the state as nine of 11 major industry sectors expanded in June. Construction added 8,100 jobs; Professional and Business Services, 5,000; Information, 4,000; Trade, Transportation and Utilities, 2,000; Other Services, 1,700; Financial Activities, 1,600; Manufacturing, 300; Natural Resources and Mining, 100; and Educational and Health Services, 100. Both the Government and Leisure and Hospitality sectors reversed course in June, losing 6,300 and 1,000 jobs respectively.

Over the 12 months ending with June, nonfarm employment rose by 65,300 in Professional and Business Services; 54,000 in Construction; 44,100 in Leisure and Hospitality; 31,200 in Educational and Health Services; 21,300 in Financial Activities; 20,900 in Trade, Transportation and Utilities; 19,500 in Information; 12,400 in Other Services; and 6,200 in Manufacturing. In contrast, employment fell by 1,300 in Government; and 100 in Natural Resources and Mining.

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Most areas are improving

Nearly all areas of California shared in the State's job growth over the past year. The San Joaquin Valley, including Kern, Fresno, and San Joaquin counties, continued to enjoy the strongest growth pace. Southern California, led by Riverside and San Bernardino Counties, added the greatest number of jobs. San Jose-Sunnyvale-Santa Clara was the only major metropolitan area that did not add jobs over the past year. There is a bright side to the Silicon Valley's latest numbers, however. The principal areas of weakness are population serving sectors, such as eating and drinking establishments, retail stores, and government. This reflects the fallout from several years of employment losses. Employment expanded, though, in sectors that are traditional engines of growth, such as Manufacturing — including computers — and Information services — chiefly internet service providers. Strong growth in Employment Services (temporary help) is also encouraging.

Unemployment rises a notch

The state's unemployment rate rose 0.1 percentage point to 5.4 percent in June. This is the first increase since September 2004. A rise in civilian employment — 10,600 — was overshadowed by an increase in the number of unemployed persons — 14,100. The national unemployment rate dropped by 0.1 percentage point in June, to 5.0 percent.

Income

Strong income growth for California

California's personal income grew 7.1 percent in the first quarter of 2005 on a year-over-year basis, outstripping the nation for the fifth consecutive quarter. The fastest growing component was Nonfarm Proprietor's Income (owner-operated businesses profits), which grew more than 10 percent over the year. Wages and salaries — the largest component of personal income — also rose smartly, expanding nearly 8 percent. The only major component in which the nation outgrew California was Supplements to Wages and Salaries (benefits).

FIGURE 2

Select Components of Personal Income 2005 Qtr 1 Year-Over-Year Growth

	California	Nation
Total Personal Income	7.1%	6.4%
Wage and Salary Disbursements	7.8%	7.5%
Supplements to Wages and Salaries	7.3%	8.0%
Proprietors' Income	9.9%	5.5%
Farm	-4.6%	-44.9%
Nonfarm	10.3%	8.2%
Dividends, Interest, and Rent	3.4%	2.1%

Source: Bureau of Economic Analysis

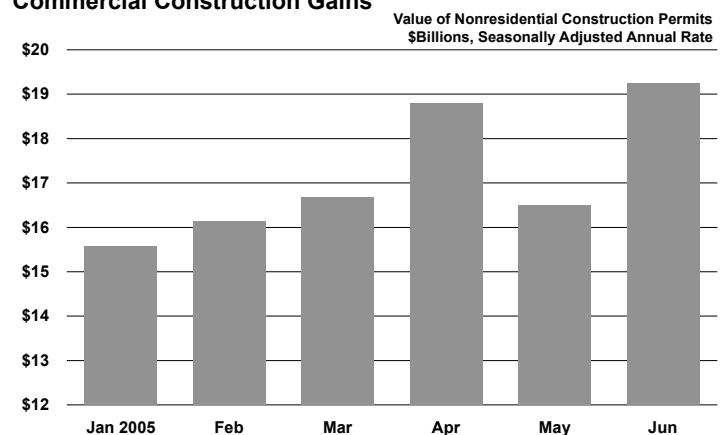
Building Activity

Home building holding steady

Home building picked up in June with new permits issued for 226,000 units, on a seasonally adjusted annual rate basis. This improvement was based on a surge of single-family permitting — up over 11 percent from May — that more than made up for a slowdown in multi-family permitting. With June's acceleration, residential construction permitting during the first six months of 2005 all but matched the pace set during the same months of 2004.

FIGURE 3

Commercial Construction Gains



Source: Construction Industry Research Board

Commercial building rebounds

Nonresidential construction also picked up handily in June. The value of nonresidential permits issued was up nearly 17 percent from May. A \$200 million pharmaceutical manufacturing facility in Vacaville (Solano County) was responsible for a 188-percent leap in Industrial construction (not seasonally adjusted).

Nonresidential building accelerated substantially during the first half of 2005. The value of nonresidential permits issued during the first six months of the year was up over 11 percent from the same months of 2004. Amusement and Recreation building was the fastest growing sector — up over

60 percent — while Industrial construction grew the most in absolute terms, \$30.5 million. On the other hand, Office construction, the leading commercial growth sector in 2004, was off nearly 4 percent from the first six months of 2004.

Real Estate

Prices rise amid signs of weakness

Persistently low mortgage interest rates pushed up home sales and prices in June. The median price of existing single-family homes sold in June climbed to \$542,720, a 16-percent increase from a year earlier. The pace of home sales recovered in June — to a seasonally adjusted annual rate of 656,310 units — after a modest slowdown in May.

For the first six months of 2005 as a whole, the median single-family home price in California was up over 16 percent from the same months of 2004. The pace of home sales, in contrast, increased only 3.6 percent.

Despite June's performance, there are clear signs that California's real estate markets are not as robust as in 2004. Last year was a phenomenal year for California home prices, with the median rising over 21 percent. However, year-over-year price gains averaged just over 16 percent during the first six months of 2005. Moreover, last year's hottest markets have cooled noticeably. Santa Barbara County's median existing single-family home price rocketed up at a 47-percent year-over-year pace in June 2004. In June of 2005, that pace had been halved to 23 percent. San Diego saw the most dramatic slowdown. After rising by 38.5 percent in the 12 months to June 2004, the median price rose only 5.8 percent over the following 12 months.

The continued run-up in prices has dealt a severe blow to home affordability. According to the California Association of Realtors (CAR), the state's home affordability index — the percentage of households that can afford to purchase a median-priced home — fell to 16 percent in May.

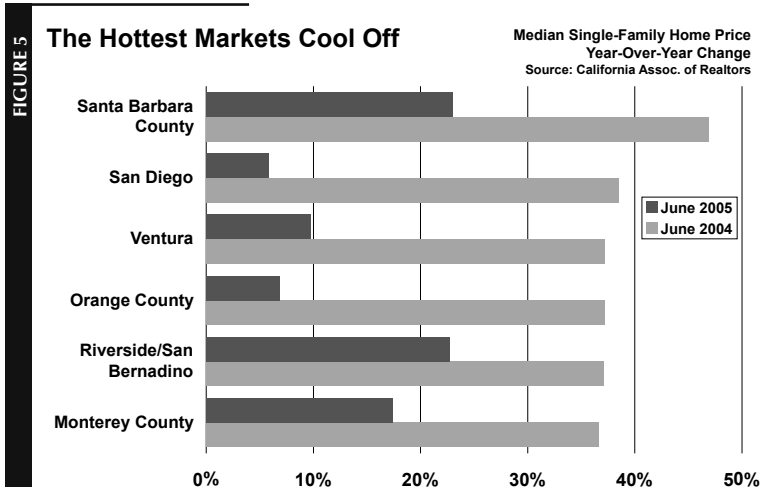
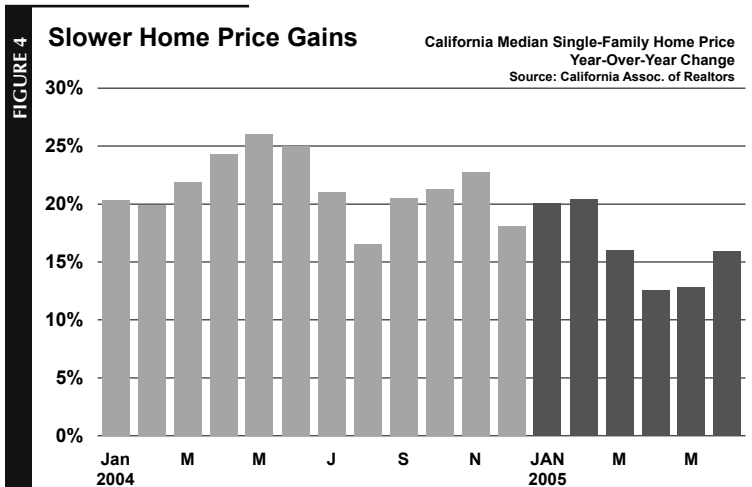
This is 3 percentage points lower than a year earlier. The affordability rate of the nation as a whole also slid over the past year, but from a much higher level. The nation's home affordability index in April was 50 percent, down 5 percentage points from a year earlier.

Rising prices and falling affordability are reflected in other market indicators. The Unsold Inventory Index for existing, single-family detached homes — the number of months needed to deplete the supply of homes on the market at the current sales rate — was 2.7 months in June, much longer than the 1.7 month reading a year ago, according to CAR. Based on June sales, the median number of days it took to sell a single-family home was 27 days, up from the 23 day median recorded 12 months earlier.

ECONOMIC FORECAST UPDATE

The following forecast is adapted from the May Revision of the Governor's 2005-06 Budget and is based on information available as of April 2005.

After growing briskly in 2004, output of the national economy grew at a slower pace in the first quarter of 2005. Consumer spending rose only moderately as consumers spent less on motor vehicles and parts. A jump in imports and a smaller gain in purchases of equipment and software by businesses also contributed to the slowdown in economic growth. Increased inventory accumulation

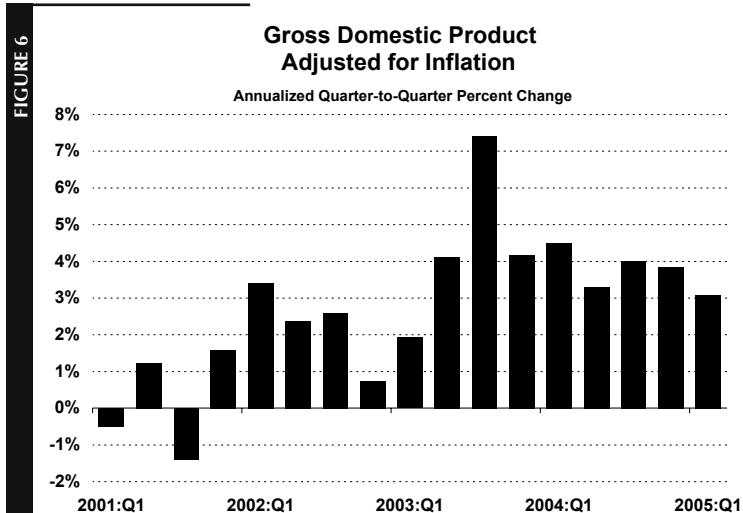


by businesses and a pickup in export growth limited the slowdown. Monthly job gains were somewhat smaller, on average, in the first quarter of 2005 than in 2004 as a whole. But a big job gain in April pushed the 2005 average above last year's average gain. Housing markets and residential construction continued to be robust in the first quarter, when the weather cooperated, but manufacturing lost some steam. Higher energy prices, a modest increase in interest rates, and a lack of fiscal stimulus were expected to slow economic growth in 2005, but the onset of this slowing was stronger than expected. As a result, the major stock market indexes lost ground and consumers became less confident in the first four months of the year. The Federal Reserve has tightened monetary policy throughout this year, demonstrating that it is not overly concerned by the slowdown in economic growth in the first quarter.

California's economy continued to generate new jobs in the first quarter of 2005, and the state's unemployment rate fell considerably. Total housing permits granted were down slightly from a year earlier. But existing home sales remained brisk, and the value of nonresidential permits increased.

The state's tourism industry continued to improve, as evidenced by increased airport passenger counts and higher hotel/motel occupancy rates. Personal income picked up solidly in the fourth quarter of 2004. Exports of made-in-California merchandise and port data on exports and imports remained strong in the first two months of 2005. Signs of improvement were seen in the San Francisco Bay Area economy, but that economy is far from recovered.

The expansions of the national and California economies decelerated somewhat in the first quarter of 2005, in part due to surging oil prices. Given the big gains in jobs and light vehicle sales in the nation in April, this slowdown may well turn out to be nothing more than a "soft patch" like the one in the second quarter of 2004. Nevertheless, the risks to the outlook have increased in the last four months.



The Nation

The U.S. Commerce Department's first estimate of the growth of inflation-adjusted gross domestic product (GDP) in the first quarter of 2005 was an annualized 3.1 percent, down from the 3.8 percent growth in the fourth quarter of 2004 (Figure 6). Slower growth in consumer spending played a significant role in the decline in real GDP growth. In particular, the value of consumers' purchases of durable goods was unchanged from the fourth quarter of 2004, as higher oil prices, less favorable incentive programs, and poor weather in January depressed light vehicle purchases. Light vehicle sales bounced back in April, however, suggesting that higher gasoline prices have not prevented consumers from buying new vehicles. Consumers are concerned, however. Consumer sentiment fell in each of the first four months of the year.

Slower growth in spending by businesses on equipment and software was also instrumental in the decline in real GDP growth. Investment in transportation equipment and industrial equipment was particularly weak. Purchases of new information-processing equipment and software, on the other hand, were very strong. Residential construction made a small contribution to real GDP growth, and nonresidential construction, a slight subtraction. Inventory investment made a big contribution to real GDP growth. Nondefense capital goods orders fell sharply in March — an indication that capital spending may fall in the coming months. In addition, three consecutive months of declining total nondurable goods orders and five consecutive months of declines in the Institute for Supply Management's composite manufacturing index reflect a manufacturing sector that is not growing nearly as quickly as it was in the first half of 2004.

Net exports (exports minus imports) fell for the sixth consecutive quarter in the first quarter of 2005. However, the more recent report on the trade deficit in March showed an unexpected decline, meaning first-quarter net exports did not fall as much as initially estimated.

Nonfarm payroll employment increased for the twenty-third consecutive month in April. Gains in the first three months of this year were somewhat smaller than those in the fourth quarter of 2004, but the large April gain pulled the average monthly gain for 2005 above the average gain for all of 2004. Job

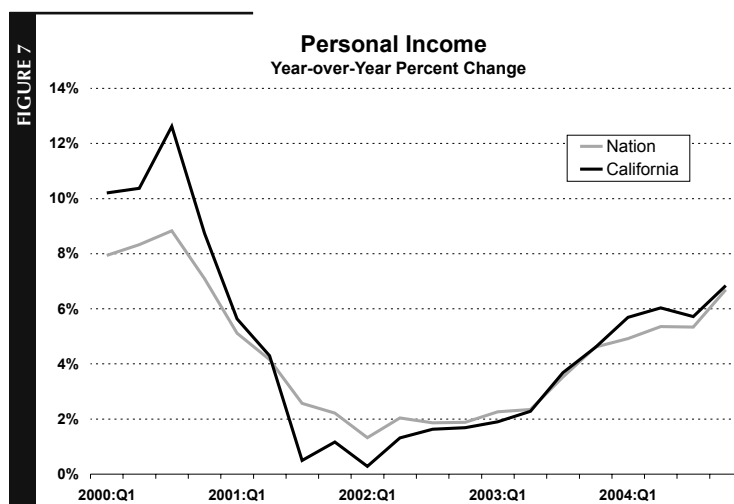
gains continue to be widespread across major industry sectors. The national unemployment rate has trended downward for almost two years and was 5.2 percent in April.

Housing markets remained strong in the first quarter of the year, although re-sales were not quite as strong as they were in the fourth quarter of 2004. New home sales reached a record high in March, on a seasonally-adjusted basis.

Higher inflation has become a risk to the outlook. Sharply higher oil prices have driven up general inflation measures considerably in the last year. But a greater concern is that other prices are also increasing. For example, the Consumer Price index that strips away food and energy prices — the so-called core CPI — was 2.3 percent higher in March than a year earlier. This measure reached its cyclical low of 1.1 percent in November 2003 and has trended upward ever since. Core inflation is still quite low compared to historical averages, but the Federal Reserve is clearly concerned about the upward trend of the last year and a half. The central bank's interest rate committee has raised its target for the federal funds rate by one-quarter percentage point in each of its last eight meetings. And it is widely expected to continue bumping up its target interest rate at its remaining meetings this year. This tightening of monetary policy has not yet had much effect on long-term interest rates, but it likely will in time. Then, interest rate-sensitive spending, like home and durable goods purchases, will begin to slow, restraining growth in the economy.

California

Statistics released since January put in sharper focus the significant improvement in the California economy during 2004. The annual benchmark revision of employment statistics revealed that more jobs were created in the state during the year than initially thought. In addition, taxable sales estimates have been revised upward. And the first estimate of fourth-quarter personal income was strong, cementing the view that personal income growth picked up considerably in 2004. As recently as the second half of 2003, personal income was growing at a 4.1-percent year-over-year pace. By the second half of 2004, the pace had accelerated to a 6.3-percent pace, although about one half of a percentage point of the more recent pace was due to an unprecedented dividend payment. In addition, California's personal income growth has outstripped the nation's as a whole since the fourth quarter of 2003 (Figure 7).



Made-in-California exports expanded substantially in 2004, reaching their highest level since 2000. Building on solid growth in the final months of 2003, exports surged by 17 percent during 2004. High-tech exports expanded by more than 15 percent, and exports of both nonelectrical machinery and transportation equipment grew by more than 30 percent. State exports expanded to all major markets, led by sharp gains in shipments to Mexico, Japan, Mainland China, South Korea, Taiwan, Canada, Singapore, and the United Kingdom. California deliveries to Mainland China grew by over 25 percent in 2004, the fastest pace among the state's major trading partners.

California's residential real estate markets made impressive gains in 2004, but cooled somewhat during the first quarter of 2005. Buoyed by job market gains, improved personal income gains, and low mortgage rates, home sales were robust throughout 2004, and the median single-family home price appreciated by over 21 percent from 2003. While real estate markets remained vigorous in early 2005, sales and price gains are not likely to be as big in 2005 as in 2004. During the first three months of 2005, both the inventory of homes for sale and the time it took to sell a home rose substantially from a year earlier.

A much welcomed development in 2004 was the renewal of employment growth. Over 250,000 new nonfarm payroll jobs were created during 2004, the first good gain since 2000. (The average level of nonfarm payroll employment was 147,000 higher in 2004 than in 2003.) On a percentage basis, job gains were highest in the San Joaquin Valley. Southern California was a close second. The San Francisco Bay Area trailed considerably but has posted year-over-year job gains since July 2004.

The Forecast

Higher energy prices, somewhat higher interest rates, and a lack of fiscal stimulus are expected to slow economic growth in 2005. In fact, growth in consumer spending slowed in the first quarter, largely because of weak light vehicle sales in January. Light vehicle sales have since bounced back, with April bringing a good increase. In addition, inflation-adjusted disposable income continues to grow at a good clip that is supportive of consumer spending. Consumer confidence remains above average levels of past expansions, even after falling in the first four months of the year. There is no denying, however, that consumers' debt loads are high and that a sharp increase in interest rates would put a good number of consumers in a bind. But sharply higher interest rates are not expected. In fact, after eight tightening steps by the Federal Reserve, long-term interest rates are slightly lower. But the best news for consumer spending was the large increase in nonfarm payrolls in the nation in April. On balance, the fundamentals for consumer spending remain quite good.

For 2005 as a whole, real U.S. GDP will grow by 3.6 percent, down from 4.4 percent in 2004, but still sufficient to allow for improved job growth (Figure 8). Output growth will slow further in 2006, to 3.0 percent, as consumer spending and business investment grow less quickly. Corporate profits will be strong in 2005 before declining slightly in 2006.

On an annual average basis, job growth will improve to 1.7 percent in California in 2005 and 2006 (Figure 9). Unemployment was 5.8 percent in January and February and 5.4 percent in March, and is not expected to change much during the rest of 2005 and in 2006. Growth in total state personal income will dip slightly in 2005 before edging up in 2006. Housing permits will trend downward.

FIGURE 8

Selected U.S. Economic Indicators

	2004 (Est.)	2005 (Projected)	2006 (Projected)
Real gross domestic product, (2000 dollar) (Percent change)	4.4	3.6	3.0
Personal consumption expenditures	3.8	3.3	2.7
Gross private domestic investment	13.2	6.7	2.6
Government purchases of goods and services	1.9	2.3	2.0
GDP deflator (2000=100) (Percent change)	2.2	2.4	2.2
GDP, (Current dollar) (Percent change)	6.6	6.1	5.2
Federal funds rate (Percent)	1.4	3.2	4.2
Personal income (Percent change)	5.6	5.6	5.9
Corporate profits before taxes (Percent change)	12.7	41.9	(3.6)
Nonfarm wage and salary employment (Millions)	131.5	133.6	135.4
(Percent change)	1.1	1.6	1.4
Unemployment rate (Percent)	5.5	5.2	5.2
Housing starts (Millions)	2.0	1.9	1.8
(Percent change)	5.4	(2.5)	(7.1)
New car and light truck sales (Millions)	16.8	16.6	16.9
(Percent change)	0.9	(0.9)	1.4
Consumer price index (1982-84=100)	188.9	193.7	198.0
(Percent change)	2.7	2.6	2.2

Forecast based on data available as of April 2005.

Percent changes calculated from unrounded data.

FIGURE 9

Selected California Economic Indicators

	2004	Percent change	Projected		2006	Percent change
			2005	Percent change		
Personal income (\$ billions)	1,257.0	6.1%	1,329.0	5.7%	1,406.5	5.8%
Nonfarm W&S employment (thousands)	14,537.2	1.0%	14,789.9	1.7%	15,048.6	1.7%
Natural resources and mining	22.6	1.5%	23.0	1.8%	23.9	4.3%
Construction	849.1	6.7%	886.0	4.3%	908.1	2.5%
Manufacturing	1,531.0	-1.1%	1,544.8	0.9%	1,562.8	1.2%
High technology	396.4	-0.9%	402.7	1.6%	409.3	1.6%
Trade, transportation, & utilities	2,751.4	1.2%	2,800.1	1.8%	2,841.6	1.5%
Information	484.0	1.6%	489.2	1.1%	500.6	2.3%
High technology	208.8	-3.2%	210.7	0.9%	214.9	2.0%
Financial activities	900.6	1.7%	915.1	1.6%	923.6	0.9%
Professional and business services	2,099.5	0.9%	2,170.7	3.4%	2,225.3	2.5%
High technology	261.0	-0.5%	269.1	3.1%	277.4	3.1%
Educational and health services	1,562.0	1.7%	1,593.3	2.0%	1,632.3	2.4%
Leisure and hospitality	1,442.1	3.0%	1,477.7	2.5%	1,508.6	2.1%
Other services	504.6	0.0%	511.8	1.4%	520.1	1.6%
Government	2,390.4	-1.4%	2,378.4	-0.5%	2,401.6	1.0%
Unemployment rate	6.2%		5.7%		5.7%	
Housing permits (thousands of units)	213	7.6%	190	-10.5%	186	-2.1%
Consumer price index (1982-84=100)	195.3	2.6%	200.9	2.9%	205.7	2.4%

Forecast based on data available as of April 2005.

Percent changes calculated from unrounded data.

Select Indicators

	2004	2005				Year-Over % Change
	May	Feb	Mar	Apr	May	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,408	16,718	16,699	16,792	16,835	2.6%
Unemployment (000)	1,106	1,025	958	955	947	-14.4%
Unemployment rate	6.3	5.8	5.4	5.4	5.3	--
Nonagricultural wage and salary employment (000) a/	14,484.1	14,681.7	14,702.7	14,721.0	14,738.6	1.8%
Goods-producing industries	2,392.7	2,441.3	2,442.9	2,444.0	2,446.5	2.2%
Natural resources and mining	23.0	22.8	22.7	22.8	22.6	-1.7%
Construction	840.0	882.7	887.3	888.6	890.3	6.0%
Manufacturing	1,529.7	1,535.8	1,532.9	1,532.6	1,533.6	0.3%
Service-providing industries	12,091.4	12,240.4	12,259.8	12,277.0	12,292.1	1.7%
Trade, transportation, and utilities	2,747.2	2,763.4	2,769.4	2,766.8	2,770.8	0.9%
Information	485.5	483.2	489.7	491.5	492.2	1.4%
Financial activities	896.6	917.2	917.4	915.9	916.0	2.2%
Professional and business services	2,077.3	2,135.4	2,135.7	2,141.1	2,139.0	3.0%
Educational and health services	1,555.8	1,579.3	1,577.5	1,584.9	1,589.2	2.1%
Leisure and hospitality	1,436.6	1,465.9	1,471.4	1,478.1	1,479.1	3.0%
Other services	502.9	508.6	510.9	510.7	512.5	1.9%
Government	2,389.5	2,387.4	2,387.8	2,388.0	2,393.3	0.2%
High-technology industries b/	862.2	872.8	870.7	869.7	870.2	0.9%
Computer and electronic products manufacturing	321.1	323.5	323.5	323.7	325.1	1.2%
Aerospace products and parts manufacturing	73.1	75.7	75.9	75.7	75.9	3.8%
Software publishers	42.1	42.7	41.8	41.5	41.6	-1.2%
Telecommunications	119.5	120.4	118.7	118.3	117.2	-1.9%
Internet service providers	47.1	48.5	48.6	48.5	48.4	2.8%
Computer systems design	165.9	167.8	168.0	168.0	167.7	1.1%
Scientific research and development	93.4	94.2	94.2	94.0	94.3	1.0%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.3	39.7	39.9	39.8	40.0	-0.7%
Average weekly earnings	\$617.80	\$619.72	\$622.84	\$622.07	\$629.20	1.8%
Average hourly earnings	\$15.33	\$15.61	\$15.61	\$15.63	\$15.73	2.6%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	199.1	n.a.	202.0	n.a.	--
San Francisco CMSA	n.a.	201.2	n.a.	202.5	n.a.	--
Los Angeles CMSA	193.3	197.4	199.2	201.1	201.5	4.2%
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	192.2	n.a.	195.5	n.a.	--
San Francisco CMSA	n.a.	197.3	n.a.	199.3	n.a.	--
Los Angeles CMSA	186.8	190.3	192.1	194.2	194.6	4.2%
CONSTRUCTION						
Private residential housing units authorized (000) c/						
Single units	200	198	232	206	208	3.6%
Multiple units	146	145	165	157	152	3.5%
Multiple units	54	53	68	49	56	3.6%
Residential building authorized valuation (millions) d/	42,571	\$45,164	\$50,714	\$46,650	\$45,056	5.8%
Nonresidential building authorized valuation (millions) d/	14,174	\$16,140	\$16,669	\$18,757	\$16,122	13.7%
Nonresidential building authorized valuation (millions) e/						
Commercial	1,304	1,141	1,324	1,658	1,481	13.5%
Industrial	395	296	424	632	494	25.2%
Other	133	100	85	101	119	-10.2%
Alterations and additions	278	254	290	287	311	11.7%
Alterations and additions	498	490	525	639	556	11.7%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	139,892	157,115	153,346	163,625	n.a.	--

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).

b/ Not seasonally adjusted

c/ Seasonally adjusted at annual rate

d/ Seasonally adjusted

e/ Not seasonally adjusted

n.a. Not available

Select Indicators *Continued*

VACANCY RATES FOR FIRST QUARTER 2005 (Percent)

	Office		Office		Office		Industrial	
	Downtown		Suburban		Total		1Q05	1Q04
	1Q05	1Q04	1Q05	1Q04	1Q05	1Q04		
Northern and Central California:								
Oakland	14.2	17.3	15.8	17.4	15.5	17.4	n.a.	n.a.
Sacramento	13.3	13.2	13.8	13.4	13.7	13.3	14.4	14.7
San Francisco	13.6	18.2	22.5	23.8	16.4	19.9	14.0	13.0
San Jose	20.3	17.6	16.3	21.7	17.2	20.8	n.a.	n.a.
Southern California:								
Los Angeles Metro	15.5	16.9	12.4	14.4	12.9	14.8	7.6	8.8
Orange County	n.a.	n.a.	9.3	13.2	9.3	13.2	7.6	9.0
San Diego	8.6	9.0	10.0	11.5	9.7	11.0	10.7	11.8
Ventura County	n.a.	n.a.	8.7	11.5	8.7	11.5	n.a.	n.a.
National Average	13.8	14.7	16.3	17.9	15.4	16.8	10.7	11.3

FOREIGN TRADE THROUGH

SALES OF EXISTING SINGLE-FAMILY HOMES

CALIFORNIA PORTS

DOD PRIME CONTRACTS a/

		Median Price	Units (SAAR)	Exports (\$ millions)	Imports (\$ millions)		\$ millions	% of U.S.
2001	Jan	\$244,112	502,798	\$12,284	\$19,173	1981-82	\$22,685	21.8%
	Feb	241,693	486,374	11,595	16,201	1982-83	26,387	22.2%
	Mar	257,548	518,412	12,390	19,475	1983-84	28,520	23.0%
	Apr	255,310	495,388	10,492	17,624	1984-85	29,115	20.8%
	May	255,857	505,588	10,948	16,885	1985-86	27,738	20.4%
	Jun	267,412	526,571	10,721	18,274	1986-87	24,515	18.4%
	Jul	267,517	503,030	9,890	18,206	1987-88	23,458	18.7%
	Aug	282,421	571,065	10,288	18,277	1988-89	23,125	19.3%
	Sep	275,624	475,376	9,634	17,585	1989-90	22,312	18.4%
	Oct	263,020	494,915	10,038	19,532	1990-91	24,265	19.5%
	Nov	270,210	493,868	9,315	17,184	1991-92	23,843	21.2%
	Dec	281,332	474,492	9,659	15,525	1992-93	22,952	20.1%
2002	Jan	\$287,076	584,251	\$8,688	\$15,517	1993-94	22,573	20.5%
	Feb	294,865	610,379	8,429	15,768	1994-95	18,277	16.8%
	Mar	305,838	586,225	9,945	16,318	1995-96	18,230	16.7%
	Apr	317,121	643,026	9,274	17,807	1996-97	18,477	17.3%
	May	319,591	620,301	9,814	17,568	1997-98	17,401	15.9%
	Jun	324,638	533,840	9,984	18,988	1998-99	17,372	15.1%
	Jul	321,903	540,797	9,335	18,998	1999-00	18,100	14.7%
	Aug	334,273	562,783	9,948	19,686	2000-01	19,939	14.7%
	Sep	322,452	493,803	9,286	19,478	2001-02	23,816	15.0%
	Oct	324,672	579,240	8,794	18,753	2002-03	28,681	15.0%
	Nov	328,440	542,121	9,046	20,522	2003-04	27,875	13.7%
	Dec	338,836	573,786	8,797	19,060			
2003	Jan	\$336,212	584,600	\$8,408	\$17,588			
	Feb	326,645	566,890	8,423	16,359			
	Mar	351,134	567,609	9,784	18,789			
	Apr	364,040	583,333	9,158	19,151			
	May	367,627	572,265	9,090	18,537			
	Jun	374,535	572,128	9,743	19,774			
	Jul	381,938	595,858	9,604	20,743			
	Aug	406,142	645,721	9,626	19,846			
	Sep	384,686	631,881	8,968	21,060			
	Oct	379,119	636,688	10,341	23,021			
	Nov	384,472	627,190	9,969	21,320			
	Dec	401,724	637,078	10,437	20,528			
2004	Jan	\$404,463	615,659	\$9,062	\$19,996			
	Feb	391,550	589,220	9,536	18,011			
	Mar	428,060	590,220	11,420	22,589			
	Apr	452,680	640,710	10,249	21,722			
	May	463,320	632,380	10,460	21,760			
	Jun	468,618	633,665	10,481	23,971			
	Jul	462,145	639,906	10,388	24,162			
	Aug	473,359	591,146	10,118	24,127			
	Sep	463,623	626,215	10,446	23,974			
	Oct	459,796	639,571	10,460	25,279			
	Nov	471,978	652,337	9,792	25,769			
	Dec	474,276	645,856	10,628	22,863			
2005	Jan	\$485,700	659,406	\$9,405	\$22,776			
	Feb	471,620	608,170	9,756	21,738			
	Mar	496,550	634,700	11,390	23,735			
	Apr	509,630	658,060	10,356	24,337			
	May	522,590	618,920	n.a.	n.a.			

a/ U.S. fiscal year: October through September

n.a. Not available

Leading Indicators/^a

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
2001	Jan	4.1	39.9	47,433	7,556	200.7
	Feb	4.2	40.2	51,754	6,436	136.3
	Mar	4.0	39.9	53,976	6,574	144.5
	Apr	3.5	39.5	52,045	6,239	153.3
	May	3.8	39.6	56,344	6,757	152.5
	Jun	3.8	39.3	54,585	6,425	147.6
	Jul	3.7	39.5	55,086	6,532	130.3
	Aug	3.9	39.6	57,220	7,243	160.8
	Sep	3.9	39.7	59,321	5,893	114.7
	Oct	3.8	39.4	62,955	7,002	139.7
	Nov	3.6	39.0	58,250	7,315	142.1
	Dec	3.7	39.4	49,212	6,912	163.6
2002	Jan	3.8	39.0	67,463	7,283	155.4
	Feb	3.9	39.4	56,462	6,867	162.1
	Mar	4.1	39.9	61,127	7,381	144.4
	Apr	4.1	39.9	62,452	7,348	163.0
	May	4.1	39.6	61,029	8,597	157.1
	Jun	4.1	39.9	58,896	6,988	149.7
	Jul	3.9	39.3	61,909	7,252	181.5
	Aug	4.0	39.8	61,152	7,552	166.9
	Sep	3.9	39.9	60,528	7,285	184.9
	Oct	3.9	39.6	61,567	8,053	203.3
	Nov	3.8	39.6	59,053	7,545	191.1
	Dec	3.9	39.8	60,417	7,736	151.9
2003	Jan	3.9	39.6	61,430	7,430	193.0
	Feb	4.0	39.8	59,637	8,677	249.9
	Mar	3.7	39.7	59,723	7,242	183.2
	Apr	3.7	39.7	63,614	7,875	188.9
	May	3.7	39.8	61,106	7,864	210.3
	Jun	3.7	39.9	60,771	7,873	177.6
	Jul	3.8	39.5	60,213	8,026	200.0
	Aug	3.8	39.5	57,664	7,045	178.6
	Sep	3.9	39.5	57,320	8,267	194.7
	Oct	3.9	39.6	58,650	7,952	210.2
	Nov	4.0	40.1	54,900	7,474	188.9
	Dec	3.9	39.6	52,281	8,424	194.9
2004	Jan	4.1	40.0	51,052	8,086	197.0
	Feb	4.1	40.2	51,195	8,715	206.9
	Mar	4.2	40.2	49,142	8,573	228.7
	Apr	4.4	40.0	49,413	8,428	207.1
	May	4.5	40.3	46,621	8,291	200.4
	Jun	4.2	39.9	49,874	8,905	223.5
	Jul	4.4	40.2	48,251	8,376	203.2
	Aug	4.2	40.1	47,573	8,310	207.9
	Sep	4.0	39.3	46,799	8,571	228.2
	Oct	4.3	39.8	44,947	7,704	176.9
	Nov	4.4	39.8	47,368	8,979	258.9
	Dec	4.4	39.8	49,438	9,263	226.6
2005	Jan	4.3	40.3	50,966	5,869	182.4
	Feb	4.4	40.0	46,024	9,147	198.4
	Mar	4.3	40.0	45,384	9,489	232.1
	Apr	4.4	40.1	44,498	n.a.	206.0
	May	4.4	40.0	43,494	n.a.	207.5

a/ Seasonally adjusted by the California Department of Finance.

n.a. Not available

Coincident Indicators/^a

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2001	Jan	14,725	1,874	4.7	357
	Feb	14,724	1,866	4.7	358
	Mar	14,730	1,856	4.8	367
	Apr	14,667	1,831	5.0	385
	May	14,644	1,812	5.1	414
	Jun	14,632	1,797	5.3	421
	Jul	14,571	1,777	5.4	443
	Aug	14,581	1,761	5.6	468
	Sep	14,528	1,740	5.8	472
	Oct	14,513	1,724	6.0	523
	Nov	14,478	1,704	6.3	511
	Dec	14,448	1,690	6.4	515
2002	Jan	14,440	1,674	6.5	518
	Feb	14,449	1,666	6.6	544
	Mar	14,472	1,662	6.7	534
	Apr	14,460	1,656	6.7	538
	May	14,474	1,652	6.7	555
	Jun	14,459	1,646	6.8	540
	Jul	14,434	1,637	6.7	547
	Aug	14,455	1,629	6.7	525
	Sep	14,448	1,622	6.7	531
	Oct	14,468	1,615	6.7	538
	Nov	14,484	1,606	6.8	508
	Dec	14,455	1,595	6.8	511
2003	Jan	14,440	1,585	6.9	520
	Feb	14,422	1,575	6.8	522
	Mar	14,393	1,565	6.8	521
	Apr	14,389	1,559	6.9	567
	May	14,381	1,550	6.9	543
	Jun	14,371	1,544	6.9	550
	Jul	14,363	1,537	6.9	552
	Aug	14,379	1,536	6.9	528
	Sep	14,369	1,535	6.8	525
	Oct	14,414	1,531	6.8	517
	Nov	14,396	1,529	6.7	509
	Dec	14,393	1,529	6.7	503
2004	Jan	14,430	1,532	6.5	457
	Feb	14,447	1,530	6.4	453
	Mar	14,455	1,528	6.4	444
	Apr	14,476	1,530	6.4	438
	May	14,484	1,530	6.3	416
	Jun	14,479	1,527	6.3	449
	Jul	14,594	1,547	6.2	404
	Aug	14,586	1,539	6.1	420
	Sep	14,581	1,531	6.1	416
	Oct	14,634	1,535	6.0	390
	Nov	14,656	1,534	6.0	402
	Dec	14,646	1,535	6.0	398
2005	Jan	14,654	1,538	5.8	406
	Feb	14,682	1,536	5.8	395
	Mar	14,703	1,533	5.4	388
	Apr	14,721	1,533	5.4	368
	May	14,739	1,534	5.3	362

		Personal Income (\$ millions)	Total Wages & Salaries (\$ millions)	Taxable Sales (\$ millions)
2001	Qtr I	\$1,153,563	\$661,546	\$111,989
	Qtr II	1,139,669	650,479	111,275
	Qtr III	1,125,898	637,461	108,517
	Qtr IV	1,120,405	632,752	109,442
2002	Qtr I	\$1,133,441	\$637,434	\$108,528
	Qtr II	1,148,301	641,008	109,986
	Qtr III	1,153,479	641,928	111,384
	Qtr IV	1,161,353	647,397	110,449
2003	Qtr I	\$1,161,968	\$645,093	\$112,286
	Qtr II	1,175,472	652,247	113,415
	Qtr III	1,190,584	661,284	117,636
	Qtr IV	1,213,183	674,618	116,023
2004	Qtr I	\$1,221,588	\$679,545	\$122,428
	Qtr II	1,241,379	686,987	123,851
	Qtr III	1,262,205	704,468	122,495
	Qtr IV	1,312,528	731,135	124,188

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

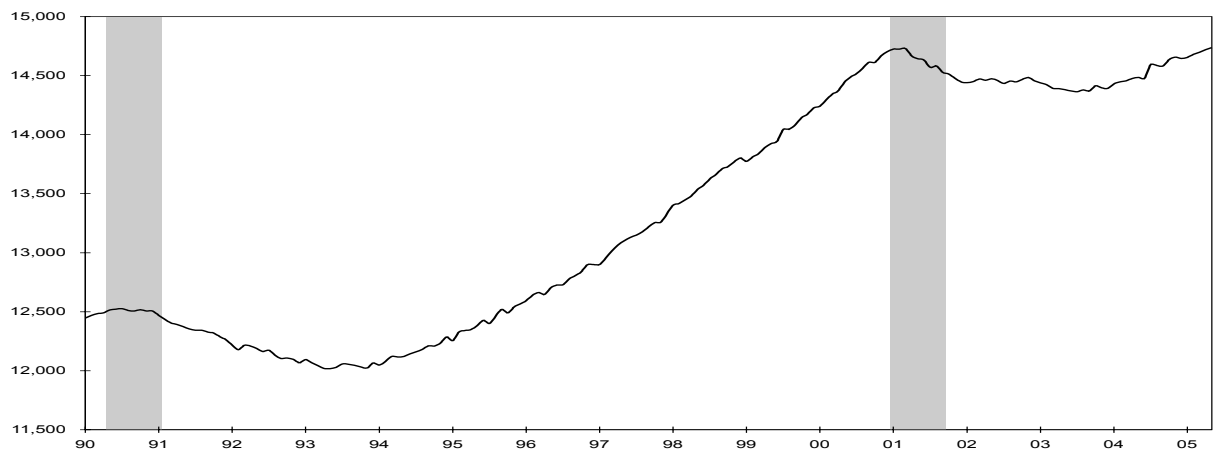
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

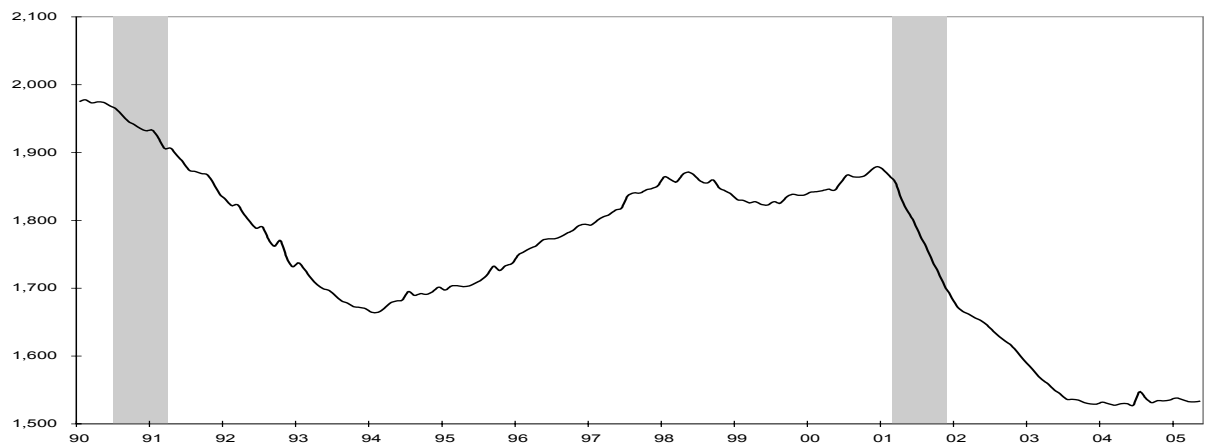
Nonagricultural Employment

(Thousands,
Seasonally Adjusted)

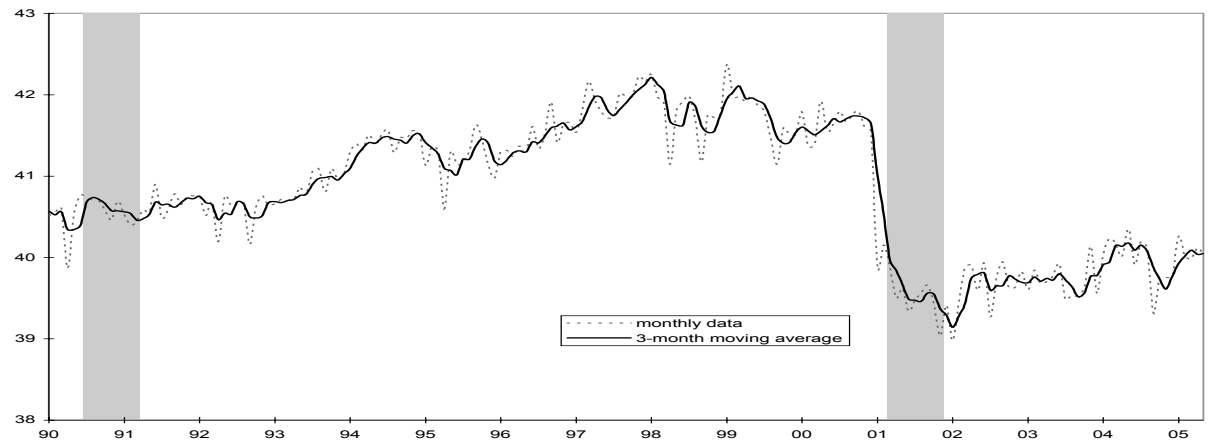


Manufacturing Employment

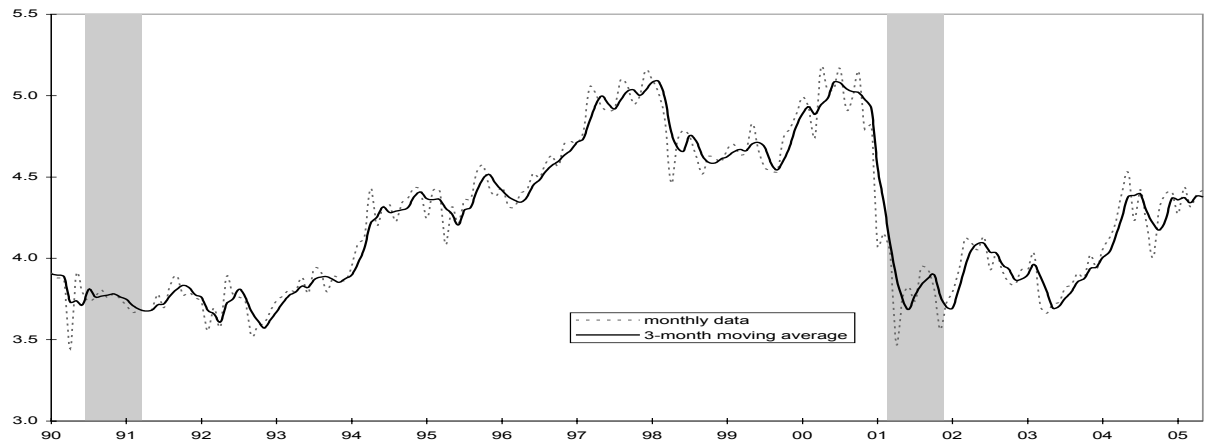
(Thousands,
Seasonally Adjusted)



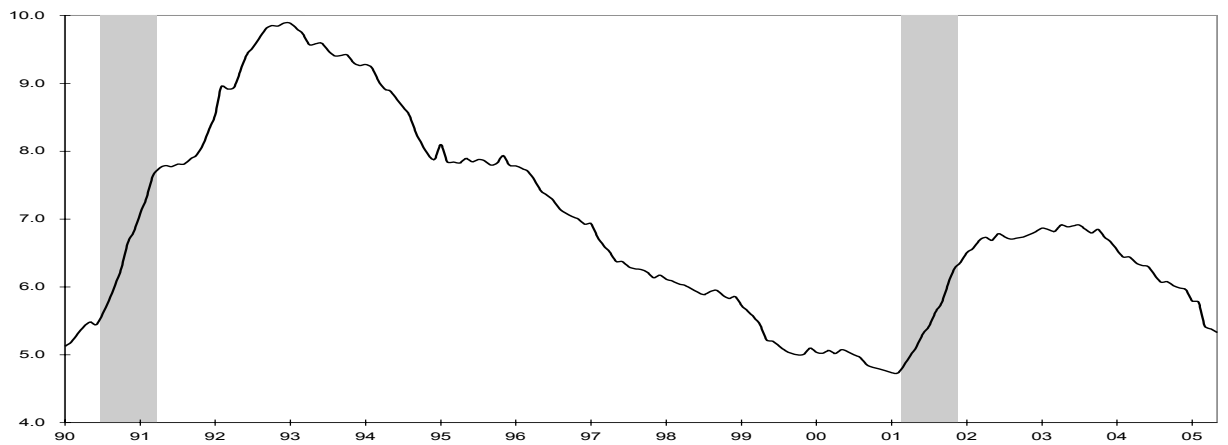
Average
Weekly Hours,
Manufacturing
(Seasonally Adjusted)



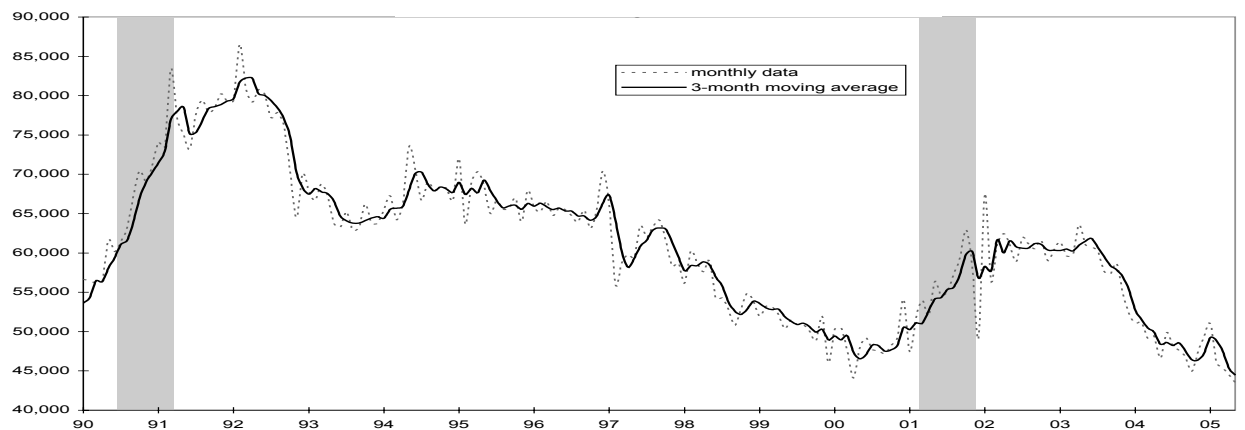
Average
Overtime Hours,
Manufacturing
(Seasonally Adjusted)



Unemployment
Rate
(Percent)

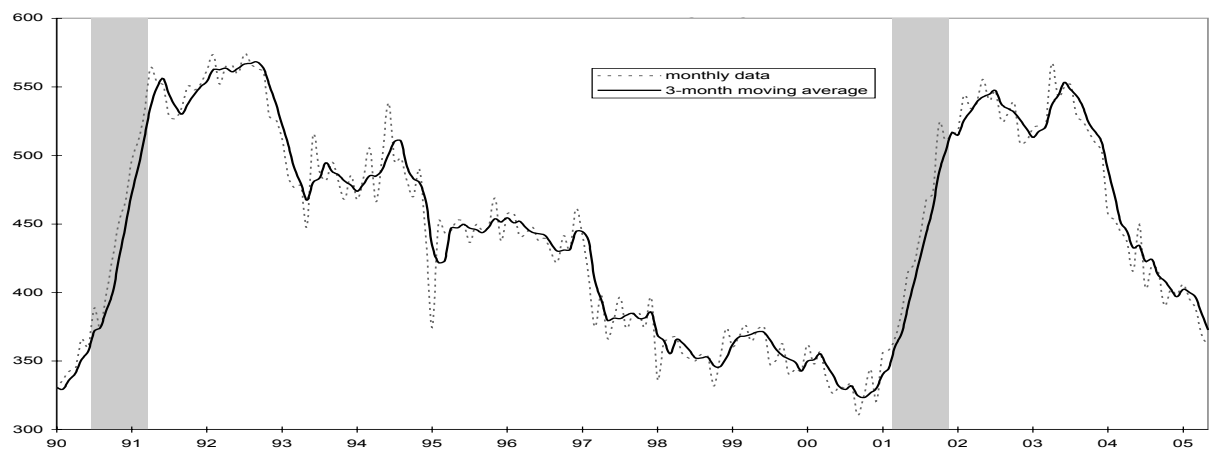


Initial &
Transitional
Claims for
Unemployment
Insurance
(Weekly Average,
Seasonally Adjusted)



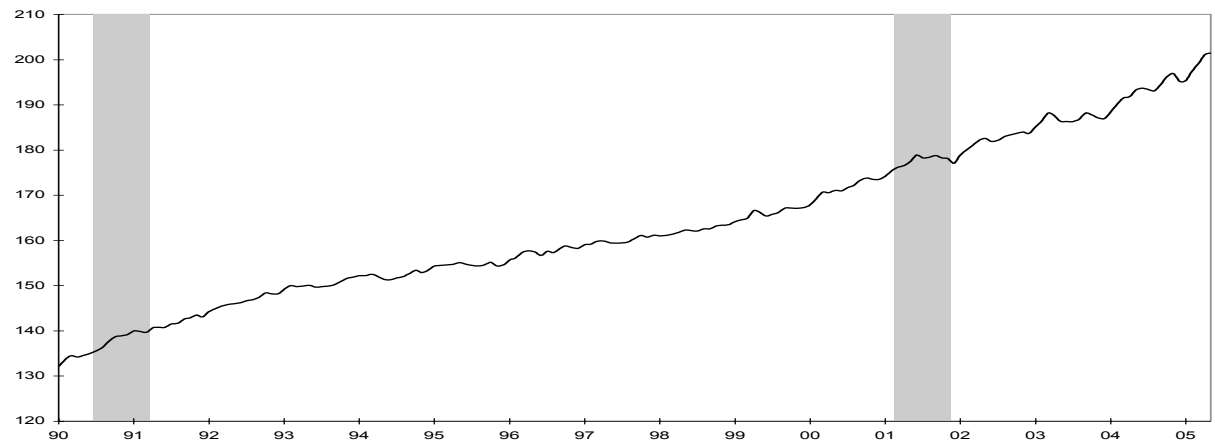
Unemployment, Average Weeks Claimed

(thousands,
Seasonally Adjusted)



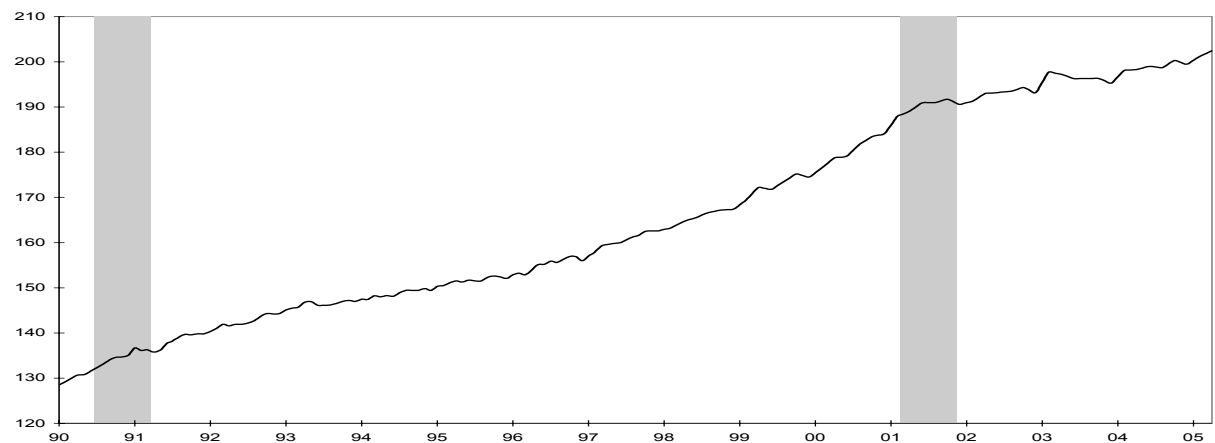
Consumer Price Index, Los Angeles

(1982-84=100)



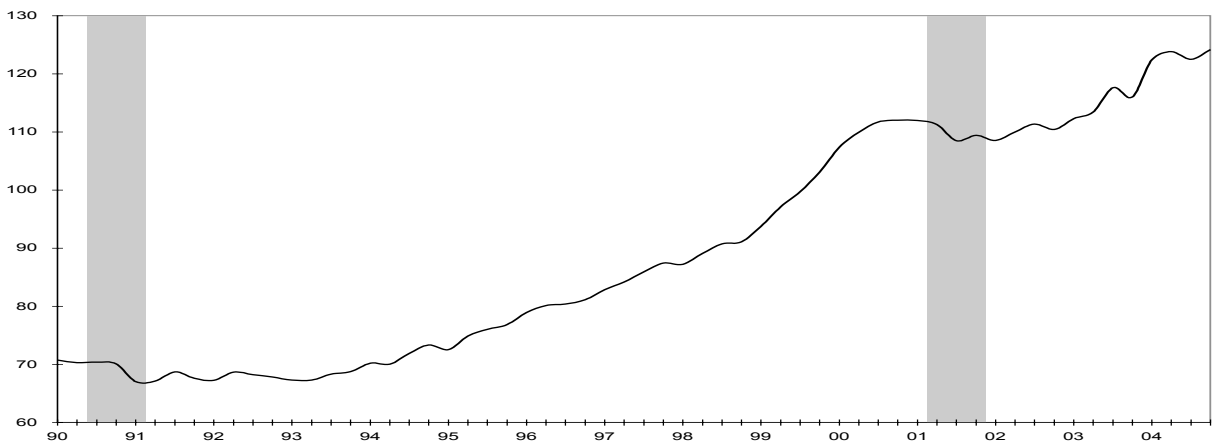
Consumer Price Index, San Francisco

(1982-84=100)



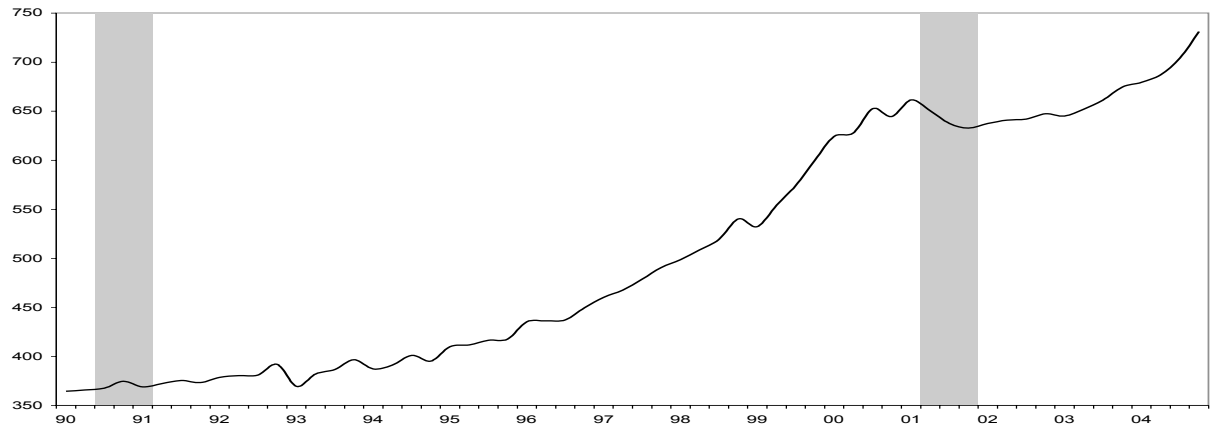
Taxable Sales

(Dollars in billions,
Seasonally Adjusted)



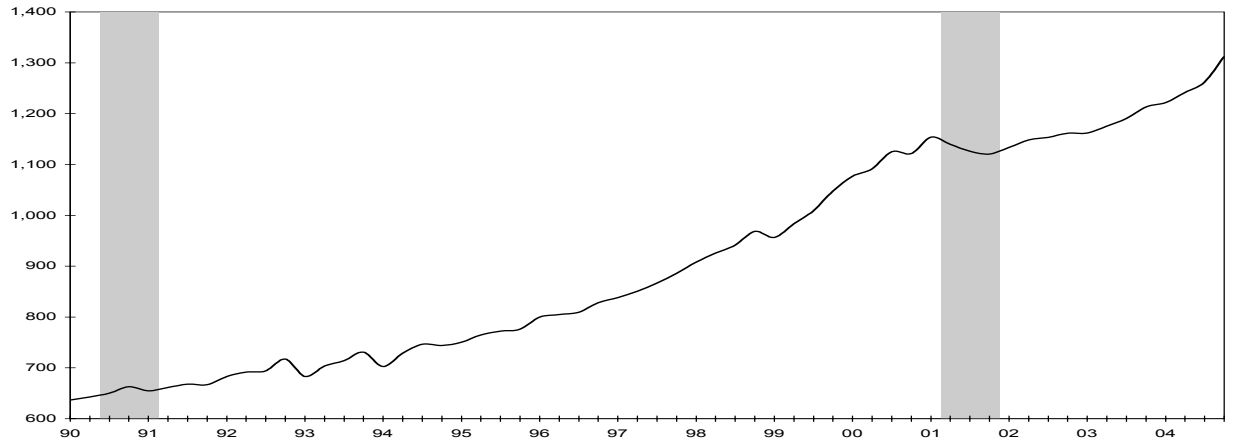
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



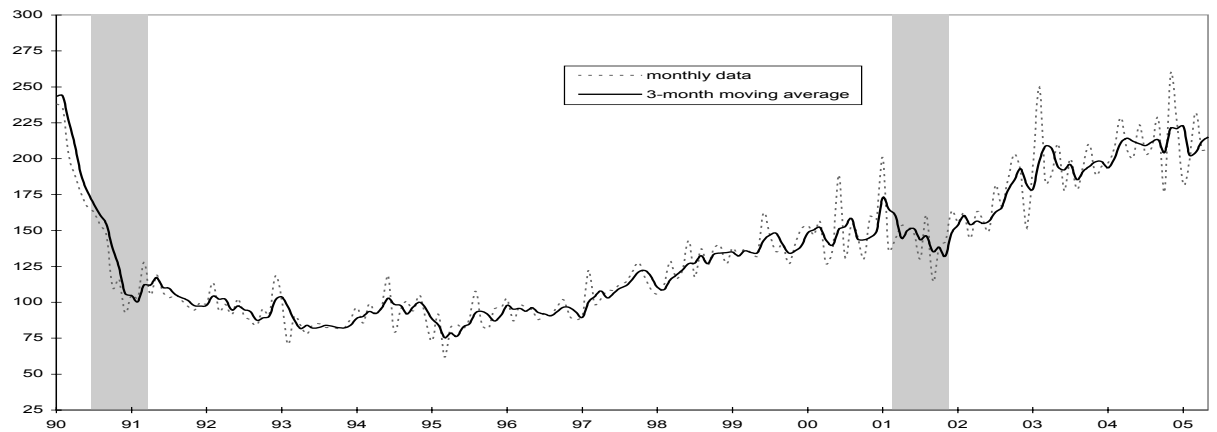
Personal Income

(Dollars in billions, Seasonally Adjusted)



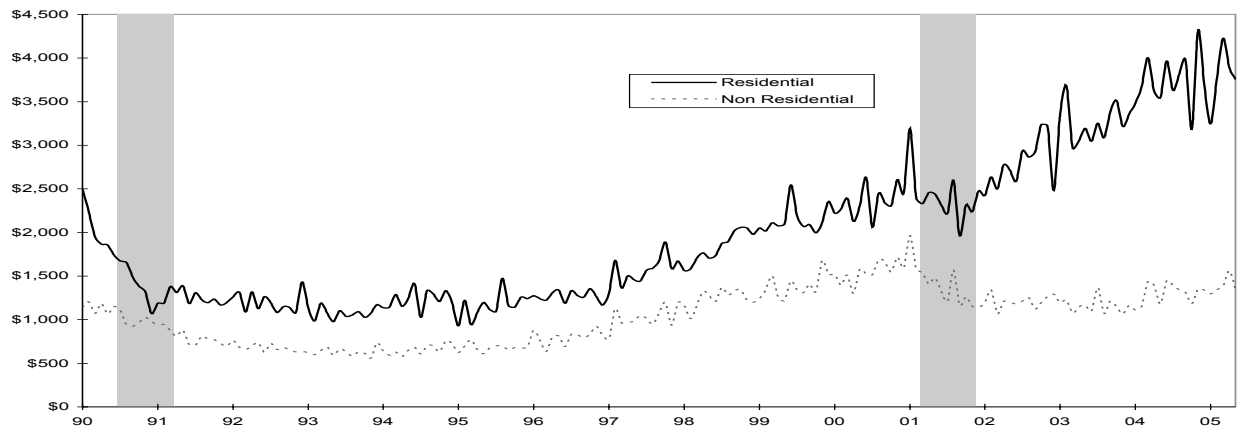
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)

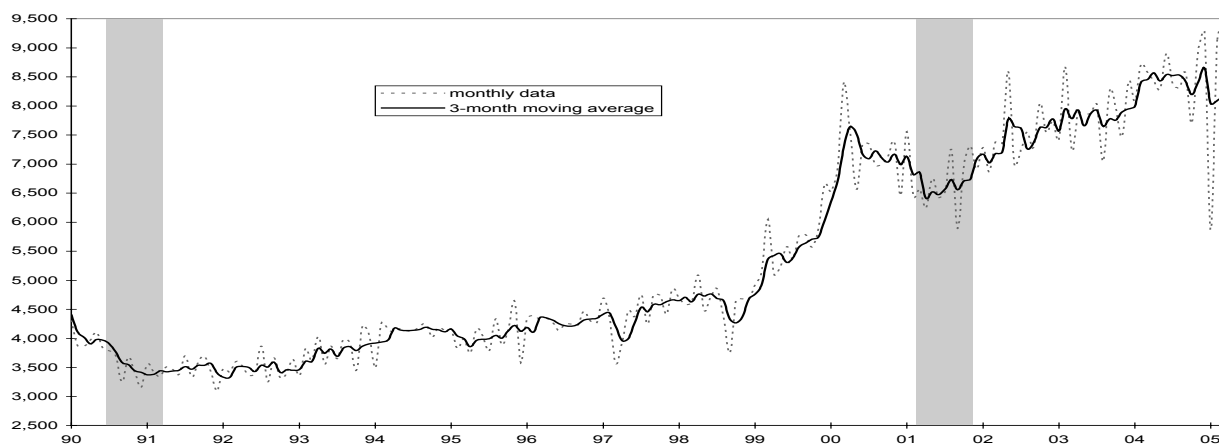


Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations (Seasonally Adjusted)



BUSINESS CYCLES

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-2001

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128

■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2001

April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7–8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11–14	U.S. stock trading halts.
September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent. Dow Jones Industrials record biggest point drop in history, falling 684.41.
October 2	Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent.
October 26	Lockheed Martin Corporation awarded defense contract.
November 6	Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent.
November 26	Recession in the US began in March 2001, according to NBER.
December 2	Enron filed for bankruptcy protection.
December 11	Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent. China becomes WTO member.
December 21	GDP down 1.3 percent in Q3.
December 31	Markets fall for a second straight year for the first time since 1974.

2002

January 1	Taiwan becomes WTO member. OPEC to cut oil production by 6.5 percent. Euro becomes legal tender in 12 European countries.
January 6	Unemployment insurance benefits increased in California.
February 28	GDP up 1.4 percent in Q4.
March 9	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
March 28	GDP up 1.7 percent in Q4.
April 25	Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
May 13	President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers.
June 27	GDP up 6.1 percent in Q1.
July 5	Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
July 8	Intel launches its Itanium 2 chip.
July 10	President Bush called for stiffer penalties to eradicate corporate fraud.
July 15	Pfizer to buy Pharmacia.
July 16	The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs.
July 21	WorldCom filed for bankruptcy protection.
July 22	The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.
July 30	President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.
July 31	GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters. Venture capital investments hit four-year low.
August 8	IMF signed an emergency loan to Brazil.
August 11	U.S. Airways filed for bankruptcy.
August 20	The U.S. trade deficit narrowed in June, following two straight record monthly deficits.
September 27 –October 9	Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.
November 6	Federal funds rate reduced from 1.75 percent to 1.25 percent. Discount rate reduced from 1.25 percent to 0.75 percent.
December 9	United Airlines filed for bankruptcy protection.
December 19	Standard & Poor's lowered California's bond rating to an A from an A+.

2003

February 10	Moody's lowered California's bond rating to A2 from A1.
February 14–17	A major snowstorm hit the Middle Atlantic and Eastern states.

February 26	Doctors in Hong Kong report the first case of a flu-type virus “Atypical Pneumonia” now more commonly known as Severe Acute Respiratory Syndrome (SARS).
March 20	Operation Iraqi Freedom begins.
April 9	Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.
April 14	President Bush declares conclusion of major combat operations in Iraq.
June 25	Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years.
June 26	GDP up 1.4 percent in Q1.
July 17	The US recession ended in November 2001, according to NBER.
July 24	S&P lowered California’s bond rating from “A” to “BBB”.
July 25	United States Treasury begins mailing \$400 per child tax rebate checks.
August 2	Governor Gray Davis signs the 2003-04 state budget bill.
August 4	Moody’s lowered California’s bond rating from A2 to A3.
August 28	GDP grew at a revised 3.1 percent annual rate in the 2 nd quarter.
September 3	Light vehicle sales in the U.S. reach 19.0 million in August, the second best monthly rate ever.
October 21	Wildfires breakout in Southern California, eventually burning 743,000 acres and destroying over 3,500 homes.
October 30	GDP grew by 7.2 percent, its fastest rate since 1984.
December 4	President Bush ends steel tariffs.
December 12	Dow Jones Industrial average closed above 10,000 for the first time since May 24, 2002.
December 13	Saddam Hussein captured by American troops.
December 23	Final report shows GDP grew by 8.2 percent in the third quarter, its fastest rate since 1984.
December 24	U.S. confirms first case of “mad cow” disease.

2004

February 10	Unexpected cut in OPEC quota and cold weather contribute to higher oil prices.
February 11	Dow Jones Industrials closed at highest level in more than 2½ years.
March 25	Fourth quarter GDP rose 4.1 percent.
April 30	International oil prices hit a 3½ year high.
May 21	Moody’s raised California’s credit rating from “Baa1” to “A3”.
May 27	First quarter GDP grew at a 4.4 percent annual rate.
June 30	Federal funds rate increased by 25 basis points bringing the rate up to 1.25 percent. It is over four years since the Fed last tightened rates.
August 9	Fitch removes California from Rating Watch Negative.
August 10	Federal funds rate raised from 1.25 percent to 1.50 percent.
August 24	S&P raised California’s credit rating from “BBB” to “A”.
August 27	Second quarter GDP grew at a 2.8 percent annual rate.
Mid-August	Hurricane Charley hits Florida
September	Three powerful hurricanes (Frances, Ivan, and Jeanne) hit Florida and some neighboring states.
September 21	Federal funds rate raised from 1.50 percent to 1.75 percent.

October 29	GDP grew at a 3.7 percent rate in the third quarter.
November 10	Federal funds rate raised from 1.75 percent to 2.00 percent.
December 14	Federal funds rate raised from 2.00 percent to 2.25 percent.
December 22	GDP grew at a 4.0 percent annual rate in the third quarter.
December 26	A magnitude 9.0 earthquake — the largest in 40 years — struck the northern Indonesian island of Sumatra, triggering a tsunami that killed tens of thousands of people in more than 11 countries.

2005

January 22-24	Blizzards blanketed large parts of the Northeast.
January 30	Iraq held its first free election in half a century.
February 2	Federal funds rate raised from 2.25 percent to 2.50 percent.
March 22	Federal funds rate raised from 2.50 to 2.75 percent.
March 30	GDP grew at an annual rate of 3.8 percent in the fourth quarter of 2004.
April 28	GDP increased at an annual rate of 3.1 percent in the first quarter of 2005.
May 3	Federal funds rate raised from 2.75 to 3.00 percent
June 29	GDP increased at an upwardly revised 3.8 percent in the first quarter of 2005.
June 30	Federal funds rate raised from 3.00 percent to 3.25 percent.

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